

MINUTES OF THE JUNE 14, 2002 DRINKING WATER BOARD MEETING HELD IN VERNAL, UTAH

Board Members Present

Boyd Workman, Chairman
Dale Pierson, Vice Chairman
Myron Bateman
Anne Erickson, Ed.D.
Jay Franson
Charlie Roberts
Chris Webb

Board Members Excused

Dianne Nielson, Ph.D.
Don Hayes, Ph.D.
Nancy Melich
Ruth Perry

Staff

Kevin Brown
Michael Georgeson
Bill Birkes
Ken Wilde
Ken Bousfield
Linda Matulich

Guests

William Mickelson, Manti City
Russ Donoghue, Rural Water Association
Tom Austin, Herriman City
Shannon Allen, Mayor, Antimony Town
Eric Franson, Franson-Noble & Associates
Alden Robinson, Sunrise Engineering
Brenda Robinson, self
John Iverson, Sunrise Engineering
Kim Anderson, Mayor, Manti City
Dan Bronson, self
Jon Bronson, Zions Bank
Tom Watson, U.S. Forest Service
Lynn Crane, Mayor, Herriman City
Doug Nielson, Sunrise Engineering
Dave Hatch, Ashley Valley Water & SID

ITEM 1 – CALL TO ORDER

The Drinking Water Board convened in Vernal, Utah with Chairman Workman presiding. The meeting was called to order at 1:05 p.m.

ITEM 2 – ROLL CALL

Chairman Workman asked Kevin Brown to call roll of the Board members. The roll call showed there were 7 members present at the time.

ITEM 3 – INTRODUCTIONS

Chairman Workman welcomed everyone and asked the guests to introduce themselves.

ITEM 4 – APPROVAL OF MINUTES

Chairman Workman stated a motion to approve the May 10, 2002 minutes would be in order.

Dale Pierson moved the Board approve the May 10, 2002 minutes.

Myron Bateman seconded.

CARRIED

(Unanimous)

ITEM 5 – STATE REVOLVING LOAN FUND (SRF)/CONSERVATION COMMITTEE

1) SRF/Conservation Report – Vice Chairman Pierson

Vice Chairman Pierson welcomed Chairman Workman back.

2) Status Report

Mike Georgeson reported the Board has available a little over \$3.5 million in the state funds. There is almost \$338,000 in the Secondary Account, there is a little over \$2.8 million in the Security Account, and there is \$365,716 in the Hardship Grant Account.

Mike mentioned the Board has a little more than \$6.5 million in the federal SRF account.

Mike mentioned staff closed Parowan's SRF loan. Staff will be closing Copperton, Rocky Ridge, Emigration, and Duchesne soon. Eureka is almost ready to close the second phase of their project.

3) Interest Buy-Down Briefing

Mike Georgeson briefed the Board on Interest Buy-Down and the Interest Buy-Down Rule. Interest Buy-Down is any legal method to help a community reduce the interest cost of a bond sold on the open market for a drinking water project. One of the things the Board needs to be aware of is Title 73 Chapter 10c item 4a which states: "Of the total amount of money annually available to the Drinking Water Board and the Water Quality Board for financial assistance to political subdivisions, at least 10% shall be allocated by each Board for credit enhancement and interest buy-down agreements."

The Board can do a grant, a low interest or a no interest loan, and set-aside money to guarantee an issuance. Bond insurance is basically a credit enhancement. The Legislature wanted the Board to also look at credit enhancement. Mike reviewed the credit enhancement program with the Board. Both credit enhancement and interest buy-down loans have to be part

of a bond that the drinking water system sells on the open market. The interest buy-down concept is in the Legislation preceded by the 1986 amendments to the income tax code. Mike said 10% is mandatory on the amount of money the Board has available to use for credit enhancement and interest buy-down projects annually.

Discussion followed.

3) State SRF Applications

a) Antimony

Bill Birkes reported the Town of Antimony recently had an engineering report from Franson-Noble & Associates recommending construction of a new storage tank, rehabilitation of an existing spring, construction of a larger transmission pipe line from the spring, and repairing of a pressure sustaining valve that has kept the system as two separate sources. The estimated cost for the improvements is \$720,000. The town has acquired some financial assistance from Community Development in the form of a \$43,000 Community Development Block Grant and \$300,000 from the Central Utah Project Compliance Act. Antimony is seeking additional funding in the amount of \$377,000.

The SRF Conservation Committee is recommending a loan of \$188,000 at an interest rate of 3.17% for 20 years and a hardship grant of \$189,000. The assistance evaluation sheet in the packet doesn't reflect the 3.17%. The assistance evaluation sheet was done prior to giving additional credit on the financial points. Antimony has approximately 47 points out of 100 points.

Mayor Shannon Allen, Town of Antimony, and Eric Franson, Franson-Noble & Associates, addressed the Board.

Discussion followed.

Jay Franson abstained from voting due to a Conflict of Interest.

Myron Bateman moved the Board authorize a loan of \$188,000 at an interest rate of 3.17% for a term of 20 years with a \$189,000 hardship grant with the stipulation that Antimony agree to investigate the possibility of interconnecting with Otter Creek State Park system and the Otter Creek RV and Marina system.

Charlie Roberts seconded.

CARRIED

6 vote yes.

Jay Franson abstained.

b) Cannonville

Bill Birkes reported that at the January Board meeting Cannonville approached the Board for additional funding to provide for Arsenic removal from a new well source. Staff received a letter from Cannonville stating they sought and found funding elsewhere for necessary treatment of their facilities. Cannonville is requesting deauthorization of their supplemental loan of \$43,000.

Mike Georgeson mentioned there is an associated grant with the supplemental loan that needs to be deauthorized as well.

Boyd Workman moved the Board deauthorize the supplement loan of \$43,000 and the grant associated with the supplemental loan as approved during the January 11, 2002 Board meeting.

Jay Franson seconded.

CARRIED

(Unanimous)

4) Federal SRF Applications

a) Manti

Ken Wilde reported Manti stated in their application that they would need an equivalent interest rate of 2% or less in order to make the program work. Manti has some funding from Rural Development. When the SRF Conservation Committee met, they decided they wanted to recommend a loan through the federal SRF program. Under the state SRF program, Manti qualifies for a 2.66% loan and a grant, which would put them below the 2% threshold. The interest rate that was calculated through the federal SRF program is 4.36% for a 20-year loan. If a 20% principle forgiveness is awarded, Manti would be at about 1.99% to 2% interest rate for the loan. If Manti can qualify as a disadvantaged community, their interest rate could be lower. Since the Committee met and the packet was prepared, staff has talked with Mayor Anderson, the City Manager and the engineers. Ken reviewed the different point's possible, different interest rates and different options that could apply for Manti's request.

Kim Anderson, Mayor of Manti City, and John Iverson, Sunrise Engineering, addressed the Board.

Discussion followed.

Chris Webb moved the Board authorize a federal SRF loan to Manti for \$1,074,000 with 20% principal forgiveness at 3.525% for 20 years with two conditions: 1) prior to closing Manti pass a structured rate to encourage conservation as approved by staff, and 2) the Mayor and City Council write a letter to Senator Blackham and Representatives for Manti in support of our loan program of the 1/16% sales tax and provide a copy of the letter to the Board.

Discussion on motion.

Chris Webb modified his motion from the 3.525% interest rate to an interest rate of 2.60%.

Jay Franson seconded.

CARRIED

(Unanimous)

Dale Pierson mentioned Mike Georgeson recommended a change to the authorization of Manti's loan authorization.

Chris Webb mentioned there is some concern on the way the rule is written that the AGI has to equal 80%.

Mike's question was: Is 80.00% equal to 80% and does the Board need to have a motion stating that the Board finds 80.00% is equal to 80%? Mike mentioned he doesn't know how EPA will interpret this particular provision. Mike wants to make sure the Board is covered in case the EPA Auditors ever raise a question. Mike is requesting the Board amend the Manti motion to say the Board finds that Manti's AGI is equal to 80% of the states' AGI within the limits of the data.

Discussion followed.

Chris Webb moved, for the record, that the Board found Manti's Median Adjusted Gross Income was equal to 80% of the state's Median Adjusted Gross Income within the limits of the data's accuracy as given to the Board.

Myron Bateman seconded.

CARRIED

(Unanimous)

b) Project Priority List

Ken Wilde reported on the first page of the Federal SRF Program Priority Sheet, Manti has a wrong score and the score will be adjusted. Herriman is requesting a loan of \$3.6 million toward an \$8 million project. Central Utah Water Conservancy District wants to build a 10,000,000-gallon storage tank and would like a loan of \$2.8 million.

Chairman Workman mentioned Central Utah has been involved in and will be trying to get a short-term loan. Central Utah, Maesar Improvement District and Vernal are going in for 2,000,000 gallons of storage on the 10,000,000-gallon tank.

Discussion followed

Boyd Workman moved the Board approve the updated Project Priority List.

Anne Erickson seconded.

CARRIED

(Unanimous)

c) Herriman City

Ken Wilde reported Herriman City wants to form a utility providing drinking water. Right now Herriman Pipeline Development Company and Jordan Valley Water Conservancy District are serving the area and two subdivisions. Herriman City would like to consolidate the service and have it owned and operated by the City. The estimated cost of the project is approximately \$8 million for the City. The original request for the City was to get a bond for approximately \$6.8 million and a \$1.2 million 0% loan or a grant, with an interest buy-down from the Board.

The SRF Conservation Committee suggested that Herriman's request be placed under the federal SRF loan program. Herriman would qualify for a loan at 3.54% for 25 years under the state SRF loan program. The interest rate comes out to 2.41% under the federal SRF loan program. If Herriman's request is placed on the project priority list for a federal request, Ken mentioned what would need to be done to have the list and the project approved.

Mayor Lynn Crane, Tom Watson, Herriman City, Jon Bronson, Zion's Bank, and Doug Nielson and Alden Robinson, Sunrise Engineering, addressed the Board.

Michael Georgeson reported the rule states that if the Board purchases a Revenue Bond, the Board would require that the applicant's water rates be established such that sufficient net revenue would be raised to provide at least 125% or such other amount as the Board may determine, of the total annual debt service.

Ken Wilde mentioned if Herriman spends \$2 million of Zion's Bank and \$2 million of the \$3.6 million from the Board over the next 2 years, then Herriman would be set up to start making payments in about a year and a half in order to close the loan, and to begin initial construction work.

Discussion followed.

Myron Bateman moved the Board authorize a loan in the amount of \$3.6 million for 20 years with an interest rate at 1.86% with the requirement that they have a conservation rate in place, close the loan when the Priority Point List is finalized, and to contact their Senator and Representative on the 1/16% Sales Tax issue.

Discussion on motion.

Jay Franson seconded.

CARRIED

Five voted yes.

Jay Franson and Chris Webb opposed. Jay expressed Chris's and his concern on opposing the motion.

Dale Pierson mentioned the Board has a new requirement that security and a vulnerability assessment has to be done on water systems that have 3,300 population or more. Realizing that this is not yet a water system per se, Dale encouraged the engineering firm to make their security and design be a component of the design so when the system comes in to place the vulnerability assessment is essentially done.

Jay Franson stepped out.

**ITEM 6 – RULE ADOPTION – CONSUMER CONFIDENCE RULE, PUBLIC
NOTIFICATION RULE, REVISIONS TO THE LEAD/COPPER RULE,
AND RULE REORGANIZATION**

Ken Bousfield reported there are nine different rules in the packet. Six of the nine rules involve renumbering. There are some cosmetic changes also. Ken put the nine rules into four sections to be voted on.

Ken put Rules R309-100, 105, 110, 200, 205, and 215 in the first section. These rules had some revisions, renumbering and non-substantiating changes.

Chris Webb moved the Board authorize approval of the changes made in Rules R309-100, 105, 110, 200, 205, and 215 and to proceed with filing the appropriate forms with the Division of Administrative Rules.

Myron Bateman seconded.

CARRIED

(Unanimous)

Ken mentioned staff needs to develop a corresponding state rule for the EPA Lead/Copper Minor Revisions Rule. There are a lot of minor revisions in the rule effect on how the state will report information to the federal government. One of the most significant things in EPA's mind relative to minor revisions is to define the demarcation point where water systems are responsible and where individual homeowners are responsible. Ken requested the Board authorize staff to proceed with rulemaking on R309-210.

Discussion followed.

Myron Bateman moved the Board authorize staff to proceed with rulemaking on R309-210 and to proceed with filing the appropriate forms with the Division of Administrative Rules.

Charlie Roberts seconded.

CARRIED

(Unanimous)

Ken distributed some handouts which made some correction to the material already in the Board's packet. Ken reported that these corrections to the packet material came as a result of input on this rule by EPA. Ken requested the Board authorize staff to proceed with rulemaking on the Public Notification Rule R309-220 as presented in the handouts distributed to the Board today.

Discussion followed.

Dale Pierson moved the Board authorize staff to proceed with rulemaking on R309-220 with the additions reported at the Board meeting today and to proceed with filing the appropriate forms with the Division of Administrative Rules.

Anne Erickson seconded.

CARRIED

(Unanimous)

Jay Franson rejoined the Board meeting.

Ken reported the last rule is the Consumer Confidence Rule R309-225. EPA has been very aggressive in enforcing this rule. EPA will issue Administrative Orders if this rule is not complied with. Water systems in Utah have been preparing and delivering the Consumer Confidence Reports annually to their customers since 1999. Ken also complimented the Rural Water Association for their efforts in assisting water systems with compliance with this rule. Ken requested the Board authorize staff to proceed with rulemaking on the Consumer Confidence Rule R309-225 as presented to the Board today.

Discussion followed.

Anne Erickson moved the Board authorize staff to proceed with rulemaking on R309-225 and to proceed with filing the appropriate forms with the Division of Administrative Rules.

Dale Pierson seconded.

CARRIED

(Unanimous)

ITEM 7 – OPERATOR CERTIFICATION COMMISSION MEMBER RENEWAL

Ken Bousfield reported the Operator Certification Commission oversees issues relative to certified operators. James Callison's, a member of the Operator Certification Commission, term is up for renewal this year. James Callison is the Director of the Environmental Technology Department at Utah Valley State College. James Callison would like to serve another term on the Operator Certification Commission. Staff is recommending the Board reappoint James Callison to another term on the Operator Certification Commission.

Charlie Roberts moved the Board reappoint James Callison to the Operator Certification Commission for another term.

Jay Franson seconded.

CARRIED

(Unanimous)

ITEM 8 – CHAIRMAN’S REPORT

Chairman Workman thanked everyone for the cards, phone calls, plant arrangement, and the gift basket. Chairman Workman appreciates the support of the Board and staff.

Chairman Workman talked to his state legislator and Don Christiansen on the 20% match, what the Board spends the state money on and on the sales tax issue. The Conservancy District is trying to be exempted from the property tax issue.

Chairman Workman mentioned Anne Erickson has a special issue to discuss with the Board.

Anne mentioned she has accepted an interim position for six months at Bunker Hill Community College in Boston. Anne is requesting the consideration of the Board to allow her to be absent for six months. Anne can remain active on the SRF Committee and the Board via telephone, e-mail and mail. Anne will keep the Board updated on Boston and her activities. Anne appreciates the support of the Board.

Dale Pierson recommended the Board allow for Anne’s absence and to be able to participate via telephone, e-mail and mail with the SRF Conservation Committee and the Board.

a) Elections of Chairperson and Vice Chairperson

Chairman Workman opened this agenda item up for nominations and voting.

Kevin Brown mentioned at the last Board meeting he would send out an e-mail asking for nominations for Chairperson and Vice Chairperson. Boyd Workman was nominated for Chairperson. Dale Pierson and Anne Erickson were nominated for Vice Chairperson. Anne requested permission from the Board today for a six months absence to fulfill an internship at Bunker Hill College in Boston and will be unable to accept the nomination for Vice Chairperson.

Kevin asked the Board for a motion on the Chairperson and Vice Chairperson.

Myron Bateman moved the Board appoint Boyd Workman as Chairman and Dale Pierson as Vice Chairman of the Drinking Water Board for the coming year.

Chris Webb seconded.

CARRIED

(Unanimous)

Jay Franson commended the Board and staff for all of the work they do, and appreciates everyone's help.

ITEM 9 – DIRECTORS REPORT

a) State Budget Reductions and Drinking Water Program Impacts

Kevin Brown updated the Board on the reductions and impacts. There are some articles in the packet. The Department is looking at either a 4.5% or 9% reduction heading into the next fiscal year. Kevin went over what would be dropped from the 4.5% reduction and from the 9% reduction for the Division and the Board. One of the possible reductions for the Board was cutting down on the amount of Board meetings held during the year.

Discussion followed.

Chris Webb moved the Board leave the meeting schedule as it is now and authorize Kevin, as the Executive Secretary to the Board, to modify the schedule to meet the budget cuts as needed.

Anne Erickson seconded.

CARRIED

(Unanimous)

Kevin mentioned the Legislature authorized the Division of Drinking Water to hire 5 additional FTE's to handle the current EPA rules that will need to be implemented. Staff still has Dianne's approval to hire the 5 additional FTE's.

b) Water Security Conference Outbrief

Kevin Brown reported on the Water Security Conference. EPA Headquarters and the Association of State Drinking Water Administrators (ASDWA) co-hosted a Security Conference June 3 – 5, 2002. Dale Pierson and Myron Bateman participated in the conference. The conference was fairly well attended of 150 people from across the country. The conference was very well done and it was a first class conference. The conference was primarily for State Drinking Water people, Homeland Security people, and laboratory health people.

Dale Pierson mentioned the conference was great. The Board needs to be aware of the security issues. The vulnerability assessment is now a requirement, and the Board needs to look at that when a system comes to the Board for funding.

Kevin mentioned Tyler Pugsley, from Rural Water Association, and Kim Dyches, of the Division, worked on a national committee to create a Vulnerability Assessment document for the smaller water utilities to use. This document may become the basis for what staff might use to evaluate systems. The document is available to all of the water systems. Kevin will talk to Kim about doing some training on vulnerability assessments at the Rural Water Association's annual conference in St. George next year.

Kevin mentioned President Bush signed the Bioterrorism Bill on June 12, 2002. The Bill requires water systems that serve at least 3,300 people to prepare a vulnerability assessment. EPA still needs to create a rule on Bioterrorism. Staff needs to figure out how to make the impending Bioterrorism Rule applicable at the state level.

Discussion followed.

c) Drought Update

Kevin Brown reported the drought isn't improving at all. Kevin said he was encouraged on some news he heard recently: St. George is showing a 12% reduction in water usage from last year, and the Wasatch Front is showing a 20% reduction since last year. People are conserving water, and the grass is getting a little browner. The revenues are way down for the water systems, and the water systems are struggling on how to make their budgets meet up with their spending. The precipitation outlook is still pretty bad for the rest of the year. Monticello has gone to the Office of Emergency Planning at the Governor's level expressed their concerns.

Discussion followed.

d) EPA Mid-Year Review Comments

Kevin Brown mentioned the senior staff from DEQ and EPA Region VIII met the end of May. The Division of Drinking Water received a fairly respectable report. It is the first time in a number of years that the Division has done so well. The Source Water Protection program is the best in the region and maybe the country. The Compliance Section has shown the most improvement in the Region over the last year in reducing the number of significant non-compliers by 80% from the previous year. The federal SRF program received a very good report. EPA is very concerned about staff getting the five additional FTE's on board in time to implement the new rules.

ITEM 10 – NEWS ARTICLES

The news articles are in the packet.

ITEM 11 – LETTERS

The letters are in the packet.

ITEM 12 – UPDATE

The update is in the packet.

ITEM 13 – NEXT BOARD MEETING

The next Board meeting will be held on August 9, 2002 in Layton, Utah. A tour of the Weber Basin Water Conservancy District water project is planned.

ITEM 14 – OTHER

Anne Erickson thanked the Board again and will keep in touch while she is in Boston.

ITEM 15 – ADJOURN

Chairman Workman stated a motion to adjourn the Board meeting was in order.

Charlie Roberts moved to adjourn the Board meeting at 3:25 p.m.

Dale Pierson seconded.

CARRIED

(Unanimous)

Linda Matulich
Recording Secretary